

Message Text

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42

ACTION EA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 AGR-05 DRC-01 IGA-01 L-02 H-01 /070 W

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P R 231036Z OCT 74

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 1256

INFO AMEMBASSY BANGKOK

LIMITED OFFICIAL USE VIENTIANE 7988

E.O. 11652: N/A

TAGS: ECON, LA

SUBJ: WEEKLY ECONOMIC SITUATION REPORT (OCT 16-22)

1. TOTAL FOREIGN EXCHANGE SOLD THROUGH BANKS WEEK OF OCT 14 WAS \$568,000, COMPARED WITH WEEKLY AVERAGE OF \$495,000 SINCE INITIATION OF FX CONTROLS IN AUGUST. INCREASED LEVEL OF SALES REFLECTS EFFORTS BY FOREIGN EXCHANGE AUTHORIZING COMMISSION (FEAC) TO PROCESS FOREIGN EXCHANGE APPLICATIONS (CC2'S) MORE RAPIDLY AND REDUCE SOME OF THE BACKLOG. OF FX SOLD WEEK OF OCT 14, 43 PERCENT WAS FOR POL AND 32 PERCENT FOR RICE AND LIVESTOCK.

2. THE PARALLEL MARKET RATE OF EXCHANGE WAS STABLE DURING ENTIRE LAST WEEK. ON OCT 22 AND DURING PRECEDING WEEK, MERCHANTS AND OTHER FOREIGN EXCHANGE DEALERS WERE BUYING DOLLARS FOR APPROXIMATELY 1,150 KIP PER DOLLAR AND SELLING FOR 1,170 KIP PER DOLLAR.

3. USAID COST-OF-LIVING INDEX FOR VIENTIANE DECLINED MODERATELY DURING PAST WEEK, REFLECTING A SIGNIFICANT DECLINE IN RICE PRICES AS WELL AS A LESSER DECLINE IN NON-LIMITED OFFICIAL USE

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RICE PRICES. USAID INDEX ON OCT 23 REFLECTS FOLLOWING CHANGES:

PERCENTAGE INCREASE SINCE

OCT.16 JULY 17 END 73

GENERAL INDEX (-1.3) 9.2 46.0

RICE INDEX (-3.4) 13.6 57.4

NON-RICE INDEX (-0.7) 8.0 43.2

4. RICE PRICES IN VIENTIANE MARKET DURING PAST WEEK HAVE DECLINED FOR BOTH GLUTINOUS AND NON-GLUTINOUS RICE, THOUGH PRICE FOR RICE SOLD THROUGH AGRICULTURAL DEVELOPMENT ORGANIZATION/NATIONAL RICE OFFICE HAS NOT CHANGED. PRICE REDUCTIONS APPEAR TO BE RESULT OF A COMBINATION OF FACTORS:

(1) PRICE OF RICE IN THAILAND HAS DECLINED (MILLED RICE DOWN APPROX. 10 PERCENT),(2) NEW UPLAND RICE CROP MATURING AND STARTING TO BE SOLD, (3) PUBLIC CONFIDENCE IN CONTINUATION OF RICE SUPPLY AND READY AVAILABILITY OF RICE HAS RESULTED IN REDUCED HOARDING, REDUCTION OF RICE INVENTORIES HELD BY INDIVIDUAL CONSUMERS, AND REDUCTION IN LEVEL OF DEMAND AND SALES, AND (4) PRESSURES OF ADO/NRO COMPETITION APPEAR TO BE HELPING TO REDUCE PRICES ON NON-ADO/NRO RICE.

5. PRICES IN VIENTIANE, AS REFLECTED BY USAID COST-OF-LIVING INDEX, HAVE SHOWN REMARKABLE STABILITY IN LAST THREE MONTHS, ESPECIALLY IN VIEW OF FOREIGN EXCHANGE CONTROLS AND RAPID INCREASE IN MONEY SUPPLY. AS INDICATED PARA. 3 ABOVE, OVERALL INCREASE HAS BEEN 9 PERCENT SINCE CLOSURE OF COMMERCIAL BANKS JULY 18. HOWEVER, PRICES PEAKED JULY 25, AND SINCE THEN PRICES, THOUGH FLUCTUATING, HAVE NOT INCREASED SIGNIFICANTLY ABOVE THAT LEVEL. USAID GENERAL INDEX ON OCT 23 WAS DOWN 4 PERCENT BELOW JULY 25 PRICE PEAK, WHILE RICE INDEX DOWN 18 PERCENT AND NON-RICE INDEX UP ONLY 2 PERCENT.

6. MIN OF FINANCE NGON SANANIKONE DURING VISIT TO FRANCE OCT 7-10 (FOLLOWING CONCLUSION OF ANNUAL IMF/IBRD MEETINGS IN WASHINGTON) SUCCESSFULLY NEGOTIATED A 29 MILLION FRENCH FRANC AID AGREEMENT WITH GOF, OF WHICH 26 MILLION FF IS A TREASURY LOAN WITH 3 PERCENT INTEREST PER ANNUM (9 YEAR GRACE PERIOD) AND 3 MILLION FF IS GRANT AID. BREAKING WITH PAST PRACTICE NO PORTION OF THE LOAN CONSISTS OF SUPPLIERS CREDIT. OF TOTAL FF 10 MILLION IS FOR IMPROVEMENT IN TELECOMMUNICATIONS LIMITED OFFICIAL USE

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TIONS, 10 MILLION OF AIRPORT MAINTENANCE, 7.5 MILLION FOR AGRO-INDUSTRIAL PROJECTS, AND 1.5 MILLION FOR SUPPORT OF LAO STUDENTS AT FRENCH UNIVERSITIES (SEE ALSO VIENTIANE 7789).

7. AS OF OCT 22 IT APPEARS LIKELY THE STRIKE (OR MORE ACCURATELY, WHAT HAS BECOME A COUNTER STRIKE) AT ELECTRICITE DU LAOS (EDL) WILL END IN NEAR FUTURE. MINISTER OF PUBLIC WORKS SINGAPO CHOUNRAMANY SENT LETTERS TO EACH OF STRIKING

DIRECTORS AND SUPERVISORS OFFICIALLY ORDERING THEM TO
RETURN TO WORK AND WE ANTICIPATE THEY WILL GIVE UP PROTEST
AND RETURN TO DUTIES (SEE VIENTIANE 7960).

8. DECONTROL FOLLOWING 10/23/75.
CHAPMAN

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Message Attributes

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